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Expert Group Meeting on the Absorption
of Returnees in the ESCWA Region With
Special Emphasis on Opportunities in
the Industrial Sector
16-17 December 1991
Amman, Jordan

ISSUES ON THE ABSORPTION OF RETURNEES IN INDUSTRY
IN THE ESCWA REGION

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I. INTRODUCTION

A. A Social and Relief Issue

THE FIRST aspect of the issue of the absorption of returnees relates to the social integration of the returnees and to the immediate needs with respect to housing, education, health and other basic necessities. This side of the problem is a relief side and requires urgent immediate action on the part of governments responsible. In this respect, international support is greatly needed here, as those same returnees were, at one point and for quite a long time, a very important source of support to their families, and they were suddenly rid of their means of income. Most, if not all the countries that were hit by the crisis are not in a good position (economically and financially) to stand alone the impact of the immediate needs of the returnees. However social integration of the returnees is a pre-requisit for their absorption in the economy.

B. An Economic Issue

THE SECOND aspect of the problem is economic and relates to long term solutions for the the creation of employment opportunities for the returnees. The issue of returnees is, in economic terms, basically an unemployment issue, despite the suddenness in which it was created and the grave magnitude it has taken. Addressing this issue primarily requires addressing the issue of existing imbalances in the economic structures of the countries concerned - a question that has been on the agenda of development economists in the region for quite a long time.

C. A Comprehensive Approach is Required

In this respect, a comprehensive socio-economic development approach is required which includes adjustments programmes that address existing imbalances in the economies concerned, and that take up the issue of unemployment with the aim of finding sustainable solutions particularly for the returning migrant workers.

II. GOVERNMENT ACTIONS WITH RESPECT TO ABSORPTION OF RETURNEES

A. Explicit Policy Regarding the Role of the Private Sector

The issue that needs to be initially resolved, before going into the problem of government action regarding the absorption of returnees, is the establishment of a clear government policy with respect to the role of the private sector in the economy in general, and in industrial development in particular. This policy will have its bearing on the way to address the problem of government action required in the absorption of returnees in terms of institutional framework and investment promotion laws and measures.

B. Policy Commitment

In light of the prevailing trend in the ESCWA region of revitalizing the role of the private sector to assume its prime role in development, including industrial development, a policy commitment on the part of government is required to this effect. This should include a policy framework explicitly focused on the promotion of the private sector. Consideration should be given to the level at which this should be done (Constitutional, charter, legislation, laws) to avoid changes in ~~in~~ policy through ministerial or cabinet changes. Without a comprehensive policy framework which strongly commits the government to supporting the private sector, entrepreneurs, particularly small-scale entrepreneurs, are likely to hesitate before making major investments in new firms or expansions in existing ones, particularly with the prevailing political instability in the region resulting partly from the gulf crisis. This could impede governments' efforts in the promotion of investment opportunities for the creation of employment opportunities for returnees.

Government role should be confined to policy actions and measures for the creation of jobs for the unemployed, the simplification of bureaucratic procedures, and the provision of support services. The vital role of the government of smoothing out political obstacles in finding outlets for economic expansion should continue to be strengthened.

C. Institutional Framework - Facilities and Support Services

The kind of institutional framework required for the process of absorption of returning migrant workers is partly influenced by the role the private sector assumes in the economy in general and in the industrial sector in particular, and how dynamic this sector is. In this regard, support services needed should be clearly identified, and the mechanism to provide these services should be well designed.

1. Policy Framework for Small-Scale Industries

Small-scale industries are labour intensive and they represent a prospective area for the creation of employment opportunities for the returnees. However, explicit policy framework is needed here, supportive of these industries. This should imply simplification of regulatory procedures which in many countries are complicated and regulatory in nature rather than promotional or contributinal to growth.

2. Simplification of Regulatory procedures

In this respect, and in some countries of the region, small-scale industries suffer from the various public agencies they have to deal with. The red tape that a company has to put up with, in one ESCWA country, from the idea stage until it begins operations and throughout its existence is tremendous. In other cases, support that most public institutions are supposed to render to industrial firms, and the design of which looks very impressive on paper, are not always forthcoming or easy to obtain. When such support is rendered, it usually involves a lot of time and delays that business ventures cannot really afford. Some private industries in another ESCWA country claim that it takes up to 30 official approvals before a start up is possible with the resulting loss in time and expenses.

Easing-up on some rules and regulation especially when it concerns the promotion of small-scale industries for returnees needs to be looked into. further more, special incentives need to be extended to those small-scale industrial entrepreneurs.

3. Efficient Mechanisms

Efficient mechanisms for the regulation and promoting of support services to small scale industries need to be developed. In this respect special department or unit (linked to the Ministry of Industry, or maybe other ministries, could be established to take care of returnees, with the aim of :

a. Providing simplified information to potential entrepreneurs on investment laws, taxes, custom duties, and all regulations pertaining to the establishment of a project (licensing, registration, etc.);

b. Guiding the potential labour force in the availability of job opportunities and existing vocational training centers;

c. Assisting the returnees in the re-establishment of contacts and relations with various government and private institutions.

D. Investment Promotion Laws and Measures

1. A More Comprehensive Approach to the Issue of Absorption of Returnees

Investment in the manufacturing industries in the ESCWA region is encouraged by way of two main types of incentives: Fiscal incentive (tax holidays, exemptions from customs duties) and financial incentives (subsidies, soft loans, etc...). Laws or regulations have been issued in most ESCWA countries with regard to the conditions under which incentive are made and the areas of priority. However, in some of the countries, these laws are old and outdated and they need to be newly issued in order to meet the new developing conditions. This could be good timing to review some of these policies and measures with the aim of introducing a more comprehensive policy approach for the creation of industrial employment opportunities for the returnee

2. Simplification of investment laws

Investment laws and regulations are not always clear and explicit and they are, in many instances subject to more than one interpretation. It may be high time now than ever to

simplify these laws. In one member state, for example, the extension of tax holiday for an additional period is granted to companies by the law, but the criteria for approving this extension are not entirely clear in the legislation.

3. Extension of Same Privileges and Exemptions to National Projects

Additional exemptions could be incorporated in favour of returning migrant entrepreneurs. In some ESCWA countries the investment law do not extend the same privileges and exemptions to projects that are owned by nationals as those granted to Arabs and foreign capital, particularly with respect to the transfer of capital and profits. Extension of such privileges to returnees could give additional incentives to returning migrant entrepreneurs for investment.

4. Distribution of Returnees and Regional Development

Incentives offered by the investment and promotion laws in most ESCWA countries favour regional distribution of industrial projects with the aim of developing rural areas and reducing the pressure on the populated cities. With the outbreak of the Gulf crisis and the return of a huge influx of immigrants back to their countries, it has become urgent that regional development policy be given more priority in terms of immediate needs and for long-term planning. In the first case, revitalization of the issue of regional development would contribute to the immediate needs of relief of the tremendous pressure the returnees have imposed on the utility and other services of the cities (particularly the capital cities). In the second case, regional development could now be used as an instrument for long-term planning to achieve a geographically balanced absorption of the returning migrant workers and their families.

5. Why Additional Financial Incentives for Returnees

The returning migrant workers are expatriate workers who have lived and worked outside their country. Most of these workers have either lost their connections or could not establish new ones while being away from their home country. Most of these (potential) entrepreneurs do not have enough connections to overcome the bureaucratic obstacles. They are not known by the banking system, and therefore have difficulties to obtain loans. This applies mostly to

small-scale (potential) entrepreneurs, many of which may not even have physical assets (land, building) to use as collateral or guarantees for loans. Additional financial incentives could be given to returning migrant entrepreneurs in terms of lower interest rates, or additional grace period (or maybe both) in the repayment of loans. The economic and financial feasibility of the project could be used as an additional criteria to offer additional financial incentives to these returnees.

III. ROLE OF PRIVATE INSTITUTIONS (PARTICULARLY FINANCING INSTITUTIONS) IN THE PROMOTION OF INDUSTRIAL PROJECTS

A. Strengthening the Role of the Private Sector

In most ESCWA countries, the private sector has been called upon to establish a range of medium-and small-scale industries, and in spite of the various policy measures that were taken to promote private entrepreneurship, this sector still plays a minor role in manufacturing activities.

Strengthening the role of the private sector in manufacturing activity, particularly as part of government policy for the absorption of returnees, demands that countries create the proper mechanism and instruments and adopt adequate measures to eliminate constraints and impediments for the expansion of the private sector.

B. Promotion of Industrial Entrepreneurs

Promotion of industrial entrepreneurship among returnees should be one of the main objectives of governmental industrial policy. The encouragement of private enterprises through various promotional measures (fiscal, financial protection, and others) will not lead, on its own, to the promotion of the private sector. The measures must be accompanied by the promotion of entrepreneurship through the provision to the returnees entrepreneurs of extension services in the form of training, technical assistance, support for feasibility studies and by means of identification of viable projects and investment opportunities.

C. Involvement of Industrial and Development Banks in Entrepreneurial Development

the other impediment is the scant attention paid by most industrial banks of the region to the identification of the project, although some do have specific units or departments for project identification. On the other hand, few industrial and development banks are involved in the preparation of feasibility studies. Their activities are confined only to project appraisal. Industrial and development banks should become involved in the identification of viable projects that meet the requirements of national development priorities and objectives. To expedite the process of absorption of returning migrant workers, entrepreneurial development should constitute one of the main activities of these banks. This could be achieved through the extension of assistance to entrepreneurs in the preparation of feasibility studies and the supply of information consisting of economic and technical data.

D. Integrated Technical Training Programmes for Technical Staff

These institutions should have well integrated training programmes for their staff in various fields that includes training in the areas of preparation of feasibility studies, training in management and marketing skills. Retraining programmes could also be introduced in these institutions for the absorption of returning technical skills.

E. Regional and International Technical Assistance

In this respect, technical assistance could be provided to these institutions by the formulation and implementation of an integrated programme approach to be extended by regional and international organizations, particularly AIDO, UNDP, UNIDO, ILO and ESCWA. Identification and promotion of projects for industrial entrepreneurs, with some attention to small-scale industrial entrepreneurs for the returnees should be the core of this technical assistance programme.

F. Mobilization of Surplus Balances of the Commercial Banking System

The question that remains to be seen is how could the surplus balances available to the commercial banking system be mobilized to contribute to the financing of industrial projects in general and projects for the returnees in particular?

IV. IDENTIFICATION OF INVESTMENT OPPORTUNITIES

A. A Survey of Skills of the Returned Migrant Workers

A survey of existing technical and managerial skills among returnees should be undertaken so that it would help in identifying projects that would match existing skills. (And the other way round, to help identify training needs for the re-orientation of returning migrant workers).

Specialized skills are in part needed in the development of small-scale industries that could produce a range of consumer goods as well as feed products for large-scale industries.

B. Commercialization of Handicraft Industries

Other investment opportunities that needs to be looked into includes the possibilities and requirements of the commercialization of handicrafts industries. Little information is available at the moment, but the experience of the NICs (Newly Industrialized Countries) should be developed. Nevertheless, this process consists of the development of the handicrafts industries not for its heritage value but rather for its commercial value. Marketability of the product (needed by consumers) domestically and /or on the regional and international markets is a prime factor in the selection of the industries to be developed. The mechanism for its commercialization is based on linking these selected industries to the small-scale industries.

C. Acceleration of the Privatization Process

The trend of allowing a greater involvement of the private sector in manufacturing activities could be emphasized still further with the changing needs in the region as a result of the Gulf crisis and the return of a good number of potential investors back to their home country. In this respect, already identified public industrial projects that are in operation could attract new investors from the returnees. It could be good timing for governments concerned to review the list of projects that could be relinquished to the private sector with the aim of accelerating the privatization process. This however should be studied in light of the guarantee requirements to be given to investors to make the offer an attractive one.

D. Identification and Promotion of Investment Opportunities in Foreign Exchange- Generating Industries

Particular attention should be given to the identification and promotion of export industries for returnee investors to compensate for the foreign currency income countries have lost in terms of reduction in workers' remittances and the loss of export markets. This loss has put an additional pressure on the balance of payments of these countries. In this respect marketing institutions and techniques should be given special attention. Modalities for the establishment of specialized marketing companies should be investigated as practical vehicles for the promotion and co-ordination of marketing products in the region and on the international market, as well as for identifying new export outlets.

V. RE-ORIENTATION OF SKILLED RETURNEES

A. Comprehensive Labour Policy for the Absorption of Returned Migrant Workers

A comprehensive and active labour policy is required on the part of governments concerned to be able to alleviate the serious unemployment problem that has developed in many ESCWA countries. This should include the design of a comprehensive programme approach for training and re-training (rehabilitation) needs. Training programme needs for the handicrafts industries should be included.

B. How to Establish Your Own Business - A Training Programme

In this context, training programmes addressed to industrial entrepreneurs should be developed, including those relating to training programmes on "How to Establish Your Own Business. This programme should be given priority to guide potential entrepreneurs in the new environment. This programme could be implemented by institutes of management, industrial banks, with the association of international organizations.

C. Vocational Training Centers

Vocational training centers have a particular role to play for the reorientation of skilled returnees. The establishment of such training centers of the strengthening and increasing capabilities of existing ones is required for the purpose.

D. Special Incentives for Training Programmes

Special incentives should be given to those industries that employ and provide re-training programmes for skilled returnees.

VI. ASSISTANCE NEEDS TO SMALL SCALE INDUSTRIAL ENTREPRENEURS IN THE IDENTIFICATION OF INVESTMENT OPPORTUNITIES FOR SMALL SCALE INDUSTRIES

A. A Comprehensive Approach for the Promotion of Small-Scale Industries

The promotion of small-scale industries, which are by nature mostly labour-intensive, could provide prospective opportunities for the absorption of returnees. The establishment of such industries is viable provided they have opportunities in the domestic, regional or international market. However, these industries require an environment that is conducive to their prospering and flourishing. In this respect, it is good timing to review the issue of a comprehensive support for these industries with the aim of facilitating the process of absorption of returned migrant workers.

B. A Programme Commitment

Policy commitment here is also required for the development of a supportive and promotional environment for small-scale industries. However, a political commitment to the development of small-scale industries is not sufficient. Specific programmes and projects for implementing policies must be identified, designed and carried out. These activities would include projects related to increasing productivity, expanding the number of small-scale industries, strengthening and simplifying financing systems, developing research and planning capability, improving infrastructure, increasing and intensifying extension services with managerial, business and technical expertise.

C. Institutional Structure for Small_Scale Industries

The organization of a well integrated and co-ordinated network of institutions to act as vehicles for carrying out and executing programmes in support of small-scale industries strategies. This would involve, organizing and / or strengthening existing institutions involved in rendering assistance to small-scale industries.

D. Technical Assistance to Small-Scale Industries in the Identification and Promotion of Projects, Preparation of feasibility studies, marketing, costing, and finance studies, and in Managerial Skills.

The flow of huge numbers of migrant workers back to their own countries as a result of the Gulf crisis, brought back with it skilled workers and potential entrepreneurs. This has created a good potential for the development of the small-scale industries sector. This is more so since the prevailing absence of employment opportunities for the returnees which will force many of them to venture a new business, particularly a small industrial one. It is a good opportunity here to introduce technical assistance programmes to small-scale industrial entrepreneurs that include training and re-training programmes for the returnees.